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UNCLAS SECTION 01 OF 04 YEREVAN 002685

SIPDIS

COMMERCE FOR 3150/PBRADLEY/BSMITH  
COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE  
EMBASSIES - PLEASE PASS FCS  
DEPT FOR EUR/CACEN, EB/CBA  
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER  
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

TAGS: [KTDB](#) [BBSR](#) [BEXP](#) [BTIO](#) [AM](#)

SUBJECT: (IMI) ARMENIA: THE IMPORTED BUILDING  
MATERIALS MARKET

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SUMMARY  
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1. This cable reviews the market for imported building materials in Armenia as of December 2004. The report describes the market size and U.S. market share in Armenia, and lists major market suppliers and best sales prospects for U.S. companies. It also includes a list of major importers and key contacts in the building products sector. End Summary.

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MARKET SIZE AND U.S. MARKET SHARE  
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2. The Armenian market for building materials has developed significantly since 2000, driven by consistent expansion of the construction sector. The construction sector grew by some 50 percent in 2003, in part supported by humanitarian financing of USD 115 million in improvements by the Diaspora U.S.-based Lincy Foundation. According to the National Statistical Service of Armenia in January - October 2004 the volume of construction in Armenia totaled approximately USD 363 million, which shows a growth of roughly 14 percent compared to the same period in 2003 which included the Lincy Foundation's contributions.

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STATISTICAL INFORMATION: VOLUME OF CONSTRUCTION  
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YEAR	USD (MILLION)
2000	187
2001	198
2002	286
2003	412
2004 (Jan-Oct)	363

Source: National Statistical Service of Armenia

3. Strong demand for new and modern refurbished apartments in Yerevan has caused a localized expansion in the housing and construction market. The city center is undergoing overall renovation and reconstruction. The ambitious Northern Avenue project provides for a string of new residential and commercial buildings on a street through downtown Yerevan. Two new indoor markets were constructed recently in Yerevan. The Russian-Armenian company, International Business Center, is implementing a major renovation of Armenia's state-owned buildings, including the Yerevan Mayor's office, now one of the largest Government buildings.

4. Although no published statistics are available on the market size for imported building materials, the country's largest importers estimate that the size of the domestic market is more than USD 120 million annually. According to their assessments, imported finishing materials (i.e., paints, filling, varnishes, fixtures, etc.) account for half of the market. Basic materials such as wood, glass, and metals account for the other half and come mostly from Russia and Ukraine.

5. According to the industry leaders, the market for building materials is dominated by medium-price, medium-quality products imported from Turkey, Iran, and the United Arab Emirates. The mid-range goods

are used primarily in government buildings, hospitals, and low-to-medium end commercial shopping centers.

16. The demand for higher quality German, Italian, Spanish and other European products is driven by new construction and renovation of private hotels, restaurants, banks, offices of large companies, embassies and other foreign representations, local private households as well as newly constructed elite residential buildings.

17. The share of American products in the market is small. It includes the following brands: Duron, Pro, Zar (paints), Laticrete (insulation materials, including construction glue). Despite high transport costs (U.S. to Armenia costs USD 4,500 - 5,000 per 40 ft container) and a long shipping duration (45-50 days) American products have a small but steady position in the market for higher quality finishing products. Local interest in purchasing American construction materials is likely to grow as the recent depreciation of the U.S. dollar against the Euro and the Armenian Dram have made American products more competitive.

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MAJOR MARKET SUPPLIERS  
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18. Armenia has 5-7 large building materials importers that make up the majority of domestic wholesale suppliers. According to major importers and wholesalers, the country's distribution network consists of 20-30 large stores and warehouses, 60-70 medium-sized retail stores, and approximately 200-300 small-sized retail stores.

19. Imex Group (Keramika brand), with annual sales of about USD 20 million, is one of Armenia's largest importers of ceramic fixtures. Its products include bathroom fixtures, sinks, water heaters, accessories, and wall decoration. Imex Group has distributorship agreements with a number of leading European companies, including Ideal Standard (European version of American Standard), Villeroy and Boch, Jacuzzi, Duravit, Grohe, Inda, and others. In 2004 Imex Group opened a new chain of stores in Yerevan under the name of "Ideal."

110. R and V Comfort is one of Armenia's largest wholesalers of building and finishing materials. The company specializes in inexpensive imported ceramic products and other building and finishing materials from Turkey, Iran, and the United Arab Emirates. The company also sells high quality ceramic tiles and sanitary fixtures from Italy and Spain as well as metals from Ukraine. R and V is an official distributor of the American company Laticrete, a maker of high quality insulation materials and construction glue. The company operates 6 stores and a large warehouse in Yerevan. The company's annual sales in 2003 were USD 12 million.

111. Yerevan-based Metex LLC owns and operates a large wholesale trade center. It specializes in the import and distribution of construction metals in Armenia. The company has dealership agreements with several major Ukrainian steel manufacturers. The company's annual sales in 2003 were USD 10 million.

112. EGA LLC and Berger LLC specialize in the import and distribution of paints from Turkey and UAE. Several other local importers represent the following brands: Tikkurilla (Finland), Sadolin (Sweden), Berger, National, and Marshall (UAE), Dufa (Germany), Leyland, and Ronsel (UK).

113. Yerevan-based Yerang imports American paint and building fixtures directly from the United States.

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BEST PROSPECTS  
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114. According to the importers themselves, the best prospects for export to the above distributors are for insulated windows, doors, false ceilings, flooring (parquet, linoleum, and flooring ceramics), wallpaper, ceramic wall tiles, and other interior-decorating materials, paint, heating and insulation systems, bathroom fixtures, roofing materials, landscape accessories and lighting systems.

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CONTACT INFORMATION  
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**15. MAJOR DISTRIBUTORS/RESELLERS:**

Imex Group (Keramika)  
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Yerang LLC  
Mr. Levon Kocharyan, President  
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Metex CJSC  
Mr. Amatuni Tonoyan, General Director  
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Gapex LLC (glass importer)  
Mr. Robert Gabrielyan, General Manager  
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**16. OTHER KEY CONTACTS AND USEFUL WEB RESOURCES**

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EVANS